

## CHAPTER II

### LITERATURE REVIEW

#### A. Policy Implementation

##### 1. The Definition of Implementation

In broad sense, implementation is considered as a form of operating or organizing activities established under the law and become a consensus between various stakeholders, actors, organizations, procedures, and technique synergistically, being moved to cooperate for applying policy toward a certain desirable direction. Rationality or reasons behind that procedure is intended to control attitudes, behaviors, and thoughts of the stakeholders in order to keep them on the right track. Thus, all purposes and targets of program or policy can be satisfactory achieved.

Daniel A. Mazmanian and Paul A. Sabatier (1979) explained the meaning of implementation by saying that:

“To understand what is actually happened after a program is declared valid or formulated is the main focus of policy implementation, namely cases or activities that emerge after public policy guidelines adopted, including either the effort of administration or to make a real impact for society or activities (Mazmanian in Wahab, 2012: 135).”

Implementation also can be defined as an output, or how far the degree of support toward a program, for example how big expenditure are budgeted for a program or a number of deviations that occur due to failure to obey the state regulations. Implementation produce such changes of broad issues as the goal of the program, political law, and legal decision.

## **2. The Definition of Policy**

The meaning of policy is in line with the opinion of James Anderson which state that the policy is a step of deliberate action performed by one or a number of actors related to a certain matter or problem (Anderson in Wahab, 2012:8). Formal version made by United Nation (UN), seemed broader and more detail than the definition above. This world institution gave definition of policy as follows:

“Policy is a guidance to act. That guidance can be so simple or complex, common or specific, wide or narrow, vague or clear, loose or detail, qualitative or quantitative, private or public. This meaning of policy may be a declaration of basic guidelines to act, to a certain direction, a program related to some certain activities or a plan (United Nation in Wahab, 2012:9).”

Nowadays, term of policy commonly used in the context of actions and activities held by actors, government institutions, and behavior of the nation at large. In that term, it is understandable if the later concepts of policy have a lot of connotation, and bring political consequences. From here on, policy also called as political actions. The meaning of policy that we found earlier become more obvious if we follow an opinion of political expert, Carl Friedrich, who said that policy is an action related to

goal proposed by someone, group, or government within certain environment associated with certain barriers, at the same time looking for opportunities to attain the goal or to achieve desirable targets.

What is stated by Friedrich above can be more obvious if we highlight it by opinions from Knoepfel and his friends (2007) while they define policy as a series of decisions or actions as the impact of structured and recurred interaction between actors, either public/government or private involved in various way in responding, identifying, and solving some problems that politically defined as public question. If that concepts above being noticed, either given by Friedrich or Knoepfel and friends, we can conclude a new comprehension as follows: First, that our focus attention while studying or analyzing public policy is what is actually done by the government, not just merely thought or wanted by government. Second, we must strictly define between policy and decision, which namely first contain the meaning of choosing a number of available alternative. Third, if we trace all policy meanings, normatively they refer to problem solving. It means every policy actually intended to solve or at least to scatter complexity of problems in public, collective problems will be identified and will be included in the agenda of government.

### **3. The Definition of Policy Implementation**

Policy implementation basically is a way of a policy in order to achieve its goals. The opinion of Lester and Stewart cited by Winarno, explain that policy implementation is:



“Policy implementation in broad sense is viewed as law administration tool for actors, organization, procedures, and techniques to cooperate together for applying policy in order to achieve a certain impact or desirable goals (Lester and Stewart in Winarno, 2002: 101-102).”

So, implementation is a series of actions taken by the government in order to achieve its purpose specified in a policy decision. But, in order to make policy, the government must examine first whether the policy could give a negative effect or not for society. It is intended that the policy does not has any conflict with the needs of people, much less be detrimental to the public. Nugroho stated that there are two ways to implement a policy, straightly implement in form of programs and through a derivative policy formulation or derivative of that policy (Nugroho, 2003:158). Therefore, policy implementation which have been described by Nugroho consist of two options, where the first is directly implement the policy with program, and the second is through policy formulation.

Based on the definition of implementation above, Edward III said some things that can affect the success of an implementation, cited by Widodo ,such as:

1. Communication
2. Resources
3. Disposition
4. Bureaucratic structure

(Edward III in Widodo, 2007: 96-110)

First, communication of implementation requires that the implementer know what to do, communication is defined as a process of delivering information from communicator to communicant. In addition, there are goals and targets within communication of policy implementation that must be communicated to the target group in order to reduce errors in the process of policy implementation. Policy communication has some kind of dimensions, including the dimension of transformation, clarity, and consistency. Dimension of transformation requires that public policy can be transformed to the executive, the target groups, and the other parties associated with the policy. Dimension of clarity requires that policies are transmitted to the executive, the target groups, and other interested parties, directly or indirectly so policies can be accepted and clearly seen what the purpose, goals, and objectives.

Second, the resources is one of the factors that influence the success of an implementation process, although the content of the policy is communicated clearly and consistently, but if the implementor is lack of resources to implement the policy will not be effective. Resources to support policy implementation can be tangible, such as human resource, budget resources, equipment resources, informant resources, and authority. Human resource is one of the variables that affect the success and failure of implementation. Implementation is dependent upon human resources (actors), thus human resources in the implementation of the policy in addition to be pretty well have to have the expertise and ability to perform the task, suggestions, orders from superiors (leaders). Therefore human resources must be accurate and

suitable between the numbers of staff required and appropriate skills needed to perform the task of work. Budget resources are resources that affect the implementation after human resources are fulfilled. Limitation of available budget will affect the quality of services for the public. Limited budget led to the disposition of the low-level implementer, even goal displacement will occur by the offender to achieve the goals and objectives that have been set. Equipment resources are also affecting the success and failure of implementation, according to Edward III:

“This resource is a means equipment used for the operationalization of policy implementation that covers the building, land, and facilities all of which will facilitate in providing services of policy implementation (Edward III in Widodo 2007: 102).”

Lack of facilities and equipment needed by policy implementation cause the failure of policy implementation, as with limited facilities, it is difficult to obtain accurate, precise, reliable, and trustworthy information, it would be such a disadvantage for the process of accountability. Information resources and authority are also a pair of important factor for implementation, relevant and reasonably information related to how to implement a policy. The information about ability and willingness of various parties involved in policy implementation is meant for guiding the implementers to avoid any mistakes in the interpretation of how to implement the policy. Authorities are also other resources that affect the effectiveness of policy implementation. Edward III confirmed that the authority of institution which is enough to make their own decision, would affect the institution itself in implementing a policy (Edward III in Widodo, 2007:103).



Third, the disposition is a nature or characteristics possessed by implementing policies, disposition such as commitment, honesty, and democratic nature. If implementers have good characteristics or good nature, then they will be well enough to implement the policy in accordance with the policy goals and objectives as the desire of policy makers. According to Von Meter and Van Horn, there are three kinds of elements that could affect the disposition of the implementers, namely: "The three elements that affect the disposition: knowledge (cognition), deepening and understanding (comprehension and understanding) of the policy, the direction of their response whether it is received, neutral or rejected (acceptance, neutrality, and rejection), and the intensity of the policy (Van Meter and Van Horn in Widodo, 2007:105)."

Elements that can affect the disposition is knowledge, where it is an important element because the higher of knowledge possessed by the apparatus, the higher possibility of implementation to be succeeded. Deeper understanding also helped to create an implementation process in accordance with the expected goals. Community responses also determine the success of an implementation, because it can determine whether the attitude of the public to accept or reject or act as neutral.

Fourth, the structure of the bureaucracy is a board consistently involved in policy implementation as a whole. Organization structure has a duty to implement the policy, they have a big impact in policy implementation. Within bureaucratic structure, there are two important things that influence it. One of them is standard operational procedure (SOP). This SOP is a guide for implementers in acting or

performing their duties. Beside SOP, there is fragmentation that came from outside of the organization.

Based on the understanding of policy implementation and the factors that influence the success of an implementation by Edward III, Van Meter and Van Horn said some things that can affect the success on implementation, as follows:

1. Size and policy objectives
2. Sources of policies
3. The characteristic or properties of the implementers institutions
4. Communication between organizations who concerned with implementation activities
5. The attitude of the implementers
6. The economic, social and political environment

(Van Meter and Van horn in Wahab, 2004:79)

Based on quote from Wahab, the success of an implementation can be affected by factors above, such as: First, the size and purpose is necessary to lead in implementing the policy, it is conducted so in order to adjust the program as planned. According to Land Information System requirement, the target of this program is the existence of satisfaction of service perceived by the community and the ease in making various affairs concerning land affairs, one of them is land registration. The purpose of the Land Information System implementation, which is to provide quick



and safe services in the manufacturing process, measurement, maintenance, registration and any affairs concerned with land problems.

Second, policy resource according to Van Horn and Van Metter cited by Agustino, policy resource is the success of policy implementation processes which affected by human resource utilization, cost, and time (Van Meter and Van Horn in Agustino, 2006:142). Policy resources are necessary for the success of a policy made by the government. Human resources are very important as a driver and implementer of the policy. Capital resources are needed in order to finance the policy runs smoothly, in order for the policy process is not hampered. Time is an important part for implementing policy, because time is a supporting part of the success of the policy. Time is a critical resource in planning and implementing government policies.

Third, the success of the policy can be seen from the nature or characteristics of the board/policy implementers. This is very important because the performance of public policy implementation will be very much influenced by the appropriate and suitable characteristics to the executing board or institution. According to Subarsono, quality of the policy is influenced by the quality or characteristics of the actors, such as level of education, competence in the field, work experience, and moral integrity (Subarsono, 2006:7).

Another opinion, according to Edwards III cited by Subarsono, disposition, characteristics or traits possessed by the implementer, such as commitment, honesty, and the democratic nature (Edwards III in Subarsono, 2006:91-92). This is very important because the performance of the implementation is strongly influenced by

the nature or characteristics of the implementers. If the implementers have a good nature or characteristics, then they will be able to implement policies as well as the desire of policymakers.

Fourth, communication plays an important role for the ongoing coordination of policy implementation. According to Hogwood and Gunn cited by Wahab that:

"Coordination is not just a question regarding communicating information or the formation of a suitable administrative structure, but also involves a more fundamental issue, namely the practice of policy implementation". (Hogwood and Gunn in Wahab, 2004:77).

According to Edward III, quoted by Widodo, policy communication has some kind of dimensions, including the dimensions of transformation or informing public policy, clarity, and consistency (Edward III in Widodo, 2007:97). With a better coordination of communication among the parties involved in the implementation process, the occurrence possibility of errors will be very small and vice versa.

Fifth, according to Van Meter and Van Horn cited by Widodo, characteristic of the executor consist of bureaucratic structures, norms, and relationship patterns that occur in the bureaucracy (Meter and Horn in Subarsono, 2006:101). The attitude of the implementers in performing their duties and responsibilities as the executive of a policy must be based on the discipline. It is done because it can affect the success of policy implementation, each board/policy implementers should have the sense of belonging for the respective job based on predetermined plan.

Sixth, in assessing the performance of the success of policy implementation according to Van Meter and Van Horn and quoted by Agustino is how far the extent of the external environment supporting the success of public policy that has been set. This external environment, such as economic, social, and political, is also a factor that determines the success of an implementation. (Meter and Horn in Agustino, 2006: 144).

#### **4. Theoretical Model of Public Policy Implementation**

Definitions presented in a simple model of Bullock and Stallybrass in wahab is:

"The representation of something else, which is designed for a specific purpose".

So, by definition, the meaning of the model is a manifestation of something else, which is designed for a specific purpose. Furthermore, in a similar line of thought Thomas R. Dye said that what is called the model that in essence is an attempt to simplify or embody political reality. (Wahab, 2012: 154).

Public policy implementation model proposed by some experts as follows:

According to Donald Van Meter and Carl van Horn (1975), this model is a model of the process of policy implementation. In this theory, they foster the model from an argument that differences in the process of implementation will be influenced by the nature of the policy that will be implemented. From this point, both of them offer an approach which is trying to link the political issues with the implementation and a conceptual model that shows the relation between policy implementation and performance. Both experts also confirm their conviction that change, control, and



compliance action are important concepts for the implementation procedures. (Meter and Horn in Wahab, 2012:164)

## **B. Public Service**

### **1. The Definition of Public Service**

Before we discuss health care and led to the Regional Public Service Board, it would be useful to discuss the notion of public service itself, as for the definition of the public service said by Dwigh Waldo in Lutfia, which is:

“The definition of public according to structural-functional analysis is the institutions whose activities are closely related to the identity of a group with group activities as a unit with its own characteristics, its own norms, procedures and its own motto”. (Lutfia, 2005:13)

While public according to M.Irfan Islamy is: "that the traditional definition of public is no longer defined purely as institutional (for example states), but rather more from its relation of how far the impact or the relationship between institution and the public interest" (Islamy, 1999:11).

Thus, service for society or public service can be interpreted as an attempt to assist people through the service or services provided by the state. Furthermore, to emphasize definition of public service, we can use The Decision of State Minister for the Empowerment of State Apparatus number 81 of 1993 on public service guidelines, stated that:

Public service is all forms of public service activities which taken by the central government institution, in region and in the environment of State-Owned Enterprise, or local government, in form of goods or services, both in the context of fulfill the needs of society and in order to enforce provision legislation of implementation. (The Decision of State Minister for the Empowerment of State Apparatus, 1993:3)

According to Kotler (2002:83) definition of service is any action or activity that can be offered by one party to another, which is essentially intangible and does not result in any ownership. Production may be linked or not linked to a physical product.

Meanwhile, public service according to Moekijat and Lutfia is any activities of the service provider which conducted by the government institution through a certain service, in an effort to fulfill the needs of society as well as the provision legislation of implementation, therefore government institution as the Public Administrative Institution has a motive that the activity of implementation process should be more efficient, economical and effective to serve every citizen (Lutfia, 2005:14).

Based on the description above, it can be said that the nature of public services according to Djoko Wijono contains three elements:

1. Improving quality and productivity performance of duties and functions of government institution in the field of public service.
2. Encourage efforts to make the system and the service implementation as effective as possible so that public services can be held in a more efficient and effective.

3. Encourage the development of creativity, initiative, and people participation, also improve the welfare of society at large. (Wijono, 1997:114)

## **2. The Characteristics of Services**

Service is inseparable part of management and administration with a number of characteristics. The characteristics of service expressed by Bower and Schineider in Zauhar (1994:3), as follows:

- a. Unlike material products, public services are intangible, as it is consequence, the samples of public services can not be easily tested, or measured with a certain standard.
- b. Production and consumption of service is relatively inseparable by the time, or if it is separable, then it will not be separated for a long time, services consumed as it is produced, by its nature, the defected product can not be easily wasted during the process of production and consumption.
- c. Service producer is a part of the product itself, because between the receiver and the service producer are intertwined with personal relationships.
- d. Unlike the manufactured goods, whose existence does not depend on the consumer, the service product which is really needed by the customer.

## **3. The Quality of Service**

Quality is a dynamic condition that affects the products, services, people, processes and environments that fulfill or exceed the expectations (Tjiptono, 2001).



So, the definition of service quality can be interpreted as an effort to fulfill the needs and desires of consumers as well as the accuracy of delivery to balance the expectations of consumers (Tjiptono, 2007). The quality of service (service quality) can be determined by comparing the perceptions of consumers of actual services that they receive/get with the service that they expect/want related to the service attributes of an enterprise. If the services that they received or perceived (perceived service) accordance with what they expected, then it perceived as good and satisfactory services. In the contrary, if the services received lower than what they expected, it perceived as poor quality of service.

According to Kotler in Syifa (2012) definition of service is any action or activity which offered by one party to another, which is essentially intangible and does not result in any ownership. This product either can or can not, be associated to a physical product. Services are producer behavior in order to fulfill the needs and the desires of consumers, in order to achieve customer satisfaction itself. Kotler also said that such behavior can occur during, before and after the transaction. Generally, a high level of service will produce a high satisfaction and frequent repeated purchases. A word of quality contain many definitions and meanings, different people will interpret it differently, but from some definitions it can be encountered some similarities though it is only the way of expression, usually found on the following elements:

1. The quality include the efforts to fulfill or exceed the expectations of the customer.
2. The quality include products, services, people, processes and environment

3. The quality is an ever-changing condition.

In its relation to quality of service, Maxwell in Supriyono (2001) revealed the need for some criteria of quality service, as follows:

1. Precise and Relevant

Services must be able to fulfill the preferences, the expectations and the needs of the individual or society.

2. Available and affordable

Services should be accessible to any person or group who get the priority.

3. Fairness guaranteed

Open in providing treatment to individual or group of people in the same state.

4. Acceptable

Service has a quality if its seen from a way or technical, quality, convenience, comfort, fun, reliable, on-time, fast, responsive and humane.

5. Economical and Efficient

From the perspective of service users, it can be reached through rates and taxes by all levels of society.

6. Effective

Beneficial for the user and all aspects of society (Maxwell in Supriyono, 2001:22)

If the service received as expected, then it can be said as satisfactory quality of service, if the received services exceed the perception, the quality of service is called

ideal. On the contrary, if the received services lower than expected, the quality of service is called bad. So it is easy to understand that we know the quality if it has been assessed previously.

#### **4. Local Autonomy**

Local autonomy can be interpreted as an obligation which granted to autonomous regions to organize and manage their own affairs and their interests based on aspirations of the society to improve the effectiveness and efficiency of governance in the context of service for the community and development implementation in accordance with the legislation.

Autonomy means the number or amount of duties, obligations, rights, authority and responsibility of government affairs submitted by the central government to local autonomous government to become a content of local household. Within the local autonomy, there is the element of ability to achieve any duties, rights, powers and responsibilities, to take a note and take care of the household and the area itself. In the previous section, it suggested several ways to measure that ability. Local autonomy is also part of task differentiation of public interest from service implementers between the central and local government. Seen from the terms of these elements, it must be on the ability of the person whose divided on receiving the part of the job, it also means that the ability of the central government should be taken into account because it will affect that implementation (Syafudin, 1991:40).



Autonomy is a constitutional order (*staatsrechtelijk*), not just the order of public administration (*administratiefrechtelijk*). As the constitutional order, autonomy relates to the fundamentals and the structure of state. At least, there are two basic directions in residential Indonesian government structure, which is democratic and providence of the state based on law. Autonomy rather than dispersal of government execution to achieve the efficiency and effectiveness of government (Manan, 2002:24-25).

### **C. Health Care**

#### **1. The Definition of Health Care**

Levey and Loomba (1973) in Azwar explains that health care is defined as any organized effort, whether it stand alone or together, within an organization to maintain and increase the health, prevent and cure diseases and recover the health of individuals, families, groups, or communities (Azwar, 1996:34).

Health care is a form of public services, therefore the civil servants in charge to provide health care to the community are also included as public administrators. They should be aware of and carry out their duties properly, to give the best possible service to the community, because the civil servants are servants of the people, so they actually must serve the public.

According to Hoggetts and Cascio in Azwar (1996), health care can be divided into 2 types, which are:

a. Medical services

Health care which is included in the health medical care (Medical Service) is marked by a way of organizing, either characterized by standing alone or together, in a single organizations, with the ultimate goal to cure the disease and recover health, primarily targeted both individuals and families.

b. Public Health Care

Health care is included in the public health care, which is characterized generally by organizing together in one organization, which the main purpose is to maintain and improve health and prevent disease, as well as primarily targeted both individuals and families (Hoggetts and Cascio in Azwar, 1996:36).

## 2. Principal Term of Health Care

In his book titled "Introduction to Health Administration", Azwar argued that a good health care should have a variety of basic requirements, such as:

a. Available and Sustainable

It means that all types of health care needed by the community,reachable, as well always available when it is needed all the time.

b. Acceptable and reasonable

It means that the health care is reasonable and its not against the customs, culture, faith and trust.

c. Easily reached

The definition of achievement here, especially from the point of location, thus to be able to achieve good health care, then managing the distribution of health facilities is very important.

d. Easy to reach

The definition of affordability here, especially from the point of cost. To realize such a situation like this, the cost of health care must be sought to match the economic capacity of the people.

e. Qualified

The definition of quality here refers to the degree of perfection of health care held by a party to satisfy the users of services and on other side conduct it in accordance with the procedures code of ethics and standards that have been set (Azwar, 1996:38-39).

## **D. Hospital**

### **1. The Definition of Hospital**

According to the Law of the Republic of Indonesia Number 44 Year 2009 about hospital, the hospital is a health care institution that organizes the complete individual health care that provides inpatient, outpatient, and emergency service. The hospital is also a place where an organized health effort is being held, that all activities to maintain and improve health, and aim to achieve optimal health for the society. Efforts to improve health is conducted by maintenance approach, health promotion



(promotive), disease prevention (preventive), disease healing (curative) and recovery (rehabilitative), carried out in a harmonious and integrated sustainably (Siregar And Amalia,2004).

Based on the Law of the Republic of Indonesia Number 44 Year 2009 about hospital, in order to classify the hospital services based on the facilities and capabilities:

1. Class A public hospital, is a public hospital which has the facilities and capabilities of medical services specialist and a wide sub-specialists.
2. Class B public hospital, is a public hospital which has the facilities and capabilities at least eleven specialists and a wide sub-specialists of medical service.
3. Class C public hospital, is a public hospital which has the basic specialist of facilities and capabilities of medical service.
4. Class D public hospital, is a public hospital which has facilities and capability of the basic medical service.

Based on the Decision of Minister of Health No. 134 Menkes/SK/IV/78 th.1978 in Muninjaya (2004:221) about organizational structure and administration of hospitals in Indonesia are:

- a. Public hospital is an organization within the department of health and directly responsible to the General Director of Medical.

- b. Public hospitals have a duty to hold health care services (caring) and healing (curing) patients as well as recovering the disability of body and soul.
- c. To organize its task, a public hospital has a several function, such as: carry out medical care efforts, implement medical rehabilitation efforts, prevent the disease complications and increase the health recovery, perform maintenance operations, carry out education and training of medical and paramedical personnel, see the referral system, and become a research site.

## **2. Duties and Functions of Hospital**

According to the Law of the Republic of Indonesia Number 44 Year 2009 about hospital, the hospital has the task of providing a plenary individual health care. A Plenary health care is a health care which consist of promotive, preventive, curative, and rehabilitative.

Based on the Law of the Republic of Indonesia Number 44 Year 2009, public hospital has a function:

- a. Organizing health treatment and recovery services in accordance with the standards of hospital services.
- b. Maintaining and improving the health of individuals through a plenary health care.
- c. Providing education and training of human resources in order to increase the capacity to serve the health care.

- d. Conducting the research and development as well as health screening technologies in order to improve health care by concerning the ethics of health science.

### 3. Types and Classification of Public Hospital

According to the Law of the Republic of Indonesia No. 44 Year 2009 about hospital, the hospital can be divided based on the type of the service and management:

1. Based on the type of service

- a. General hospital

Provide health care to all areas and types of diseases.

- b. Specialty hospital

Provide primary care to one area or one particular type of disease based on certain disciplines, age groups, organ, disease, or other peculiarities.

2. Based on management

- a. Public hospitals

Managed by the government, local governments, and non-profit legal entity. Public hospitals held by the government and local governments are organized by the management of the Public Service Board or Regional Public Service Board in accordance with the provisions of the legislation.

- b. Private hospitals



A profit oriented of Limited Company or Ltd Co, managed by a legal entity.

#### 4. Minimum Service Standards

Regional general hospitals have a duty to implement health care, focused on healing efforts (curative), recovery (rehabilitation), implemented in an integrated manner with prevention efforts (preventive), counseling (promotion) and referral efforts.

As a Type B of non-education hospital, referral center and health care for people, regional general hospital provide facilities of medical care, medical and non-medical support.

a. Types of medical care held by Regional Public Hospital are:

1. Outpatient Services;
2. Inpatient services;
3. Emergency Services;
4. Central Surgical Services;
5. Maternity Service and Perinatology;
6. Intensive Care;

b. Types of medical support services held by Regional General Hospital are:

1. Clinical Pathology Laboratory Services;
2. Anatomical Pathology Laboratory Services;
3. Radiology Services;

4. Medical Rehabilitation Services;
  5. Medical Installation Services;
  6. Blood Transfusion Service;
  7. Ambulance services/hearse;
  8. Burial services;
  9. Infective Prevention and Control Services;
- c. Types of non-medical support services held by Regional General Hospital are:
1. Medical Record Services;
  2. Waste Management;
  3. Administrative management services;
  4. Laundry Services;
  5. Facility Maintenance Services of Hospital;
  6. Nutrition Services.

## **E. Regional Public Service Board (*BLUD*)**

### **1. The Definition of Regional Public Service Board**

The definition of Public Service Board regulated in Article 1 paragraph 23 Act Number 1 Year 2004 about State Treasury namely : “Public Service Board / PSB is an institution in government environment that was formed to provide service to the society in the form of the provision of goods and/or services selling without prioritising profit and conduct its activities based on the principle of efficiency and productivity”. This understanding was afterwards adopted back in its implementation

regulation is in Article 1 paragraph 1 the Government Regulation Number 23 Year 2005 about Financial Management of Public Service Board.

Public Service Board is a local government board which is not aimed at seeking profit, it intended to improve the quality of public service, and and give autonomy or flexibility management public hospital, either belongs to the central government or local government. The form of Public Service Board is an important alternative in implementing Regional Autonomy to formulate Regional Hospital as Regional Technical Service.

The basic law which become a fundamental of the implementation of Regional Public Service Board, as follows:

- a. Article 5 paragraph (2) Constitution of the Republic of Indonesia 1945
- b. Act Number 17 Year 2003 about State Financial
- c. Act Number 1 Year 2004 about State Treasury (Article 68 and 69)
- d. Government Regulation Number 21 Year 2004 about Budget Plan of Public Service Board
- e. Government Regulation Number 23 Year 2005 about The Financial Management of Public Service Board
- f. Ministry of Home Affairs Regulation Number 61/2007 about The Financial Management Technique of Regional Public Service Board
- g. Regent Decree Number 188/1229/404.1.1.2/2008 about Regional General Hospital as Regional Public Service Board Local Government Affair Unit.



## 2. The Characteristic of Regional Public Service Board (*BLUD*)

- a. Regional Public Service Board operate as a set of work of the local government in order to provide public service to be more effective and efficient in line with the healthy business practices, that the operations based on authority which has been delegated by head of the region.
- b. Regional Public Service Board is a part of local government which established to assist in the achievement of the objectives of local government through legal status which inseparable from the local government.
- c. The head of region is responsible for the conduct of the policy implementation of public service that has been delegated to Regional Public Service Board, especially to the resulted benefit aspects
- d. Official Management of Regional Public Service Board is responsible for providing the public service activity that has been delegated by the head of the region.
- e. In the implementation of activities, Regional Public Service Board must prioritize the effectiveness and efficiency, as well as the quality of public service to the society without prioritizing the quest of profits.
- f. The work plan, budget, financial report, and the performance of Regional Public Service Board are arranged and displayed as inseparable part of work plan, budget, financial report and the performance of local government.
- g. In organizing and improving service for the society, Regional Public Service Board is given the financial management flexibility.

### 3. The Purpose of Regional Public Service Board Program

As set forth in Law No. 1 of 2004 on State Treasury, stated that the Public Service Board is the agency within the government that was formed to provide services to the community in the form of supply of goods and / or services being sold without a priority for profit and in doing activities based on principles of efficiency and productivity. Public Service Board (*BLUD*) is a Local Government Unit (on education) or work unit on local government on education in an environment that was formed to provide services to the community in the form of supply of goods and / or services being sold without a priority for profit, and in doing activities based on the principles of efficiency and productivity. In financial management, each *BLUD* given the flexibility to implement business practices to improve the healthy ministry. Because of the flexibility of the accounting and financial reporting practices *BLUD* has some differences than on education in general.

Moreover, the aim of the Public Service Board also fits in Article 68 Paragraph (1) of Law No. 1 of 2004 on State Treasury, which explains that "The Public Service Board was established to improve services to the public in order to promote the general welfare and national life ". Reaffirmed in Article 2 of Government Regulation No. 23 Year 2005 on Financial Management of Public Service Board, as follows: "Public Service Board aims to improve services to the public in order to promote the general welfare and public life, by providing flexibility in financial management based on economic principles and productivity, and the application of sound business practices ".

With the implementation of Financial Management of Public Service Board (*BLUD*), given the flexibility in the implementation of the budget, including revenue and expenditure management, cash management, and procurement of goods / services. Hospital management in financial matters in accordance with Government Regulation No. 23 Year 2005 on Public Financial Management Service Agency conducted in sound business practices, namely:

1. Service rates should consider the continuity and development services; purchasing power; principles of justice and fairness, and fair competition
2. Management was held in a flexible spending *BLU* (based on equality between the volume of service activities with total expenditure)
3. *BLU* cash management transparent and accountable
4. Receivables and debt *BLU* managed and resolved in an orderly, efficient, economical, transparent, and responsible and can provide added value.
5. Procurement and management of goods / services by *BLU* conducted based on the principles of efficiency and economy.
6. Authority to plan and define resource requirements needed.